



Peterson  
Allred  
Jackson

**TOWN OF NEWTON**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

**With Comparative Totals  
For June 30, 2004**

▪ Certified Public Accountants  
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

Fax (435) 752-6451

Email [firm@pajcpa.com](mailto:firm@pajcpa.com)

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>INTRODUCTORY SECTION:</u></b>	
Letter of transmittal	4
<b><u>FINANCIAL SECTION:</u></b>	
Independent Auditor's Report	8
Management's Discussion and Analysis	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - General Fund	21
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Notes to Financial Statements	26
<b><u>SUPPLEMENTAL INFORMATION:</u></b>	
Report on Compliance and Internal Control	39
State Legal Compliance Report	41
Management Letter with Responses	43

## **INTRODUCTORY SECTION**

# NEWTON TOWN CORPORATION

51 South Center  
P.O. Box 146  
Newton, UT 84327  
(435) 563-9283

*Mayor  
Floyd G. Salisbury*

*Council Members:  
David L. Cooley  
Gaylen Maughan  
Susan Maughan  
Jed Woodward*

November 18, 2005

Newton Town Council  
Newton, Utah

Council:

It is with great pleasure that the financial statements for the Town of Newton for the year ended June 30, 2005, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Newton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Newton's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Newton for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the

overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Newton's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Salisbury  
Town of Newton

**FINANCIAL SECTION**

This page intentionally left blank.



Peterson  
Alfred  
Jackson

■ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of Newton  
Newton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Newton, Utah (the Town), as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results for our audit.

2200 North Main, North Logan, Utah 84341  
435-752-6441  
FAX: 752-6451



The Management's Discussion and Analysis on pages 10-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Alfred Jackson

November 18, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Newton, we offer readers of the Town of Newton's financial statements this narrative overview and analysis of the financial activities of the Town of Newton for the fiscal year ended June 30, 2005.

### FINANCIAL HIGHLIGHTS

- The total net assets of \$1,393,847 is made up of \$881,074 in capital assets net of related debt and \$512,773 in other net assets. See detailed breakout of net assets on page 16.
- In the General Fund, new asset purchases equaled \$20,071.
- Total long-term liabilities of the Town were reduced by \$17,637.

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Newton's basic financial statements. The Town of Newton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of the Town of Newton's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Newton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Newton is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Newton that are principally supported by taxes and intergovernmental revenues ( governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newton also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- Proprietary funds - The Town of Newton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Newton uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Newton, assets exceed liabilities by \$1,393,847.

By far the largest portion of the Town of Newton's net assets (63%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 279,195	\$ 255,997	\$ 261,473	\$ 219,441
Capital assets	<u>300,115</u>	<u>356,541</u>	<u>1,039,067</u>	<u>1,077,008</u>
Total assets	<u>579,310</u>	<u>612,538</u>	<u>1,300,540</u>	<u>1,296,449</u>
Long-term debt outstanding	--	--	458,108	475,745
Other liabilities	<u>26,092</u>	<u>28,490</u>	<u>1,803</u>	<u>5,132</u>
Total liabilities	<u>26,092</u>	<u>28,490</u>	<u>459,911</u>	<u>480,877</u>
Net assets:				
Invested in capital assets, net of debt	300,115	356,541	580,959	601,263
Restricted	195,397	173,001	76,744	67,556
Unrestricted	<u>57,706</u>	<u>54,506</u>	<u>182,926</u>	<u>146,753</u>
Total net assets	<u>\$ 553,218</u>	<u>\$ 584,048</u>	<u>\$ 840,629</u>	<u>\$ 815,572</u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Program revenues:				
Charges for services	\$ 81,852	\$ 89,608	\$ 94,889	\$ 84,487
Operating grants & contributions	12,481	11,562	--	--
Capital grants & contributions	30,488	101,117	--	--
General revenues:				
Property taxes	17,854	18,172	--	--
Other taxes	56,191	53,672	--	--
Investment income	5,275	2,677	5,304	2,657
Other revenues	<u>600</u>	<u>680</u>	<u>--</u>	<u>--</u>
Total revenues	<u>204,741</u>	<u>277,488</u>	<u>100,193</u>	<u>87,144</u>
Expenses:				
General government	78,764	71,705	--	--
Public safety	46,982	47,427	--	--
Highways/public improvements	101,001	109,454	--	--
Parks & recreation	8,824	4,581	--	--
Water	--	--	75,136	72,826
Total expenses	<u>235,571</u>	<u>233,167</u>	<u>75,136</u>	<u>72,826</u>
Increase (decrease) in net assets	(30,830)	44,321	25,057	14,318
Net assets, beginning of year	<u>584,048</u>	<u>539,727</u>	<u>815,572</u>	<u>801,254</u>
Net assets, end of year	<u>\$ 553,218</u>	<u>\$ 584,048</u>	<u>\$ 840,629</u>	<u>\$ 815,572</u>

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements and is shown starting on page 18.

As of the June 30, 2005, the Town's governmental fund (General) reported a fund balance of \$253,103. This represents an increase of \$25,596 (11%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 36% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 72% of total tax revenues and represents 26% of total general fund revenues. This compares with 18% in the prior fiscal year ended June 30, 2004.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in fixed assets due to purchases and construction during the year.

Significant changes in business-type activities include a \$17,637 decrease in debt due to regular principal payments.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$250,000 to a final budget of \$250,000 (0%). Changes were made within budget categories even though the total budget did not increase.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets- The Town of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$1,339,182 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 6.6% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$4,827 for fire department equipment.
- \$2,939 for library equipment.
- \$12,305 for road improvements.

#### TOWN OF NEWTON'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 51,500	\$ 10,000
Buildings and improvements	86,579	31,563
System improvements	--	1,442,771
Infrastructure	807,020	--
Machinery & equipment	251,094	26,302
Less: Accumulated depreciation	<u>(896,078)</u>	<u>(471,569)</u>
Total	<u>\$ 300,115</u>	<u>\$ 1,039,067</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the Town had total bonded debt outstanding of \$458,108. Of this amount \$458,108 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

#### TOWN OF NEWTON'S OUTSTANDING DEBT

	Business-type Activities
Revenue bonds	\$ 458,108
Total outstanding debt	<u>\$ 458,108</u>

The Town's total debt decreased by \$17,637 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

This page intentionally left blank.

**TOWN OF NEWTON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

ASSETS	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Cash	\$ 49,768	\$ 166,289	\$ 216,057	\$ 154,836
Account receivable	14,820	11,059	25,879	53,193
Taxes receivable	19,210	-	19,210	19,225
Restricted taxes receivable	6,240	-	6,240	10,119
Bond discounts	-	7,381	7,381	7,627
Restricted cash	189,157	76,744	265,901	230,438
Capital assets			-	
Land	51,500	10,000	61,500	61,500
Buildings and improvements	86,579	31,563	118,142	118,142
System improvements	-	1,442,771	1,442,771	1,442,771
Infrastructure	807,020	-	807,020	794,715
Machinery & equipment	251,094	26,302	277,396	269,630
Less: Accumulated Depreciation	(896,078)	(471,569)	(1,367,647)	(1,253,209)
Total assets	<u>\$ 579,310</u>	<u>\$ 1,300,540</u>	<u>\$ 1,879,850</u>	<u>\$ 1,908,987</u>
LIABILITIES				
Accounts payable	8,092	745	8,837	14,467
Interest payable	-	1,058	1,058	1,155
Bonds payable:				
Due within one year	-	17,793	17,793	17,559
Due in more than one year	-	440,315	440,315	458,186
Deferred revenue	18,000	-	18,000	18,000
Total liabilities	<u>26,092</u>	<u>459,911</u>	<u>486,003</u>	<u>509,367</u>
NET ASSETS				
Invested in capital assets, net of related debt	300,115	580,959	881,074	957,804
Restricted for:				
Debt service	-	41,062	41,062	38,515
Roads and town improvements	195,397	35,682	231,079	202,042
Unrestricted	57,706	182,926	240,632	201,259
Total Net Assets	<u>\$ 553,218</u>	<u>\$ 840,629</u>	<u>\$ 1,393,847</u>	<u>\$ 1,399,620</u>

See accompanying notes to the basic financial statements.



**TOWN OF NEWTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Program Revenues			Net		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
<b>Expenses</b>						<b>2004 Total</b>
<b>Governmental activities:</b>						
General government	\$ 78,764	\$ 40,318	\$ -	\$ (34,656)	\$ -	\$ (15,455)
Public Safety	46,982	5,683	6,709	(34,590)	-	5,037
Highways & public improvements	101,001	35,551	-	(34,962)	-	(35,187)
Parks, recreation & public property	8,824	300	1,982	(6,542)	-	14,725
Total governmental activities	235,571	81,852	12,481	(110,750)	-	(30,880)
<b>Business-type activities:</b>						
Water	75,136	94,889	-	-	19,753	11,661
Total business-type activities	75,136	94,889	-	-	19,753	11,661
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes levied for general purposes				17,854	-	17,854
Franchise taxes				2,988	-	2,988
General sales taxes & highway sales taxes				53,203	-	53,203
Business licenses				600	-	600
Investment income				5,275	5,304	10,579
Total general revenues & transfers				79,920	5,304	85,224
Change in net assets				(30,830)	25,057	(5,773)
Net assets - beginning				584,048	815,572	1,399,620
Net assets - ending				\$ 553,218	\$ 840,629	\$ 1,399,620

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON**  
**GOVERNMENTAL FUNDS TYPE**  
**BALANCE SHEET**  
**JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Total 2005	Funds 2004
<b>ASSETS</b>		
Cash	\$ 49,768	\$ 25,163
Accounts receivable	14,820	38,608
Taxes receivable	19,210	19,225
Restricted assets:		
Cash	189,157	162,882
Taxes receivable	6,240	10,119
	<u>279,195</u>	<u>255,997</u>
Total assets	<u>\$ 279,195</u>	<u>\$ 255,997</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 8,092	\$ 10,490
Deferred revenue	18,000	18,000
	<u>26,092</u>	<u>28,490</u>
Total liabilities	<u>26,092</u>	<u>28,490</u>
Fund Balance:		
Reserved for roads	172,805	154,788
Reserved for first responders	-	-
Reserved for library	21,242	18,213
Reserved for first responders	1,350	-
Unreserved - undesignated	57,706	54,506
	<u>253,103</u>	<u>227,507</u>
Total fund balance	<u>253,103</u>	<u>227,507</u>
	<u>\$ 279,195</u>	<u>\$ 255,997</u>
Total liabilities and fund balance	<u>\$ 279,195</u>	<u>\$ 255,997</u>
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 300,115	\$ 356,541
	<u>253,103</u>	<u>227,507</u>
Fund balance, balance sheet	<u>253,103</u>	<u>227,507</u>
	<u>\$ 553,218</u>	<u>\$ 584,048</u>
Net assets reconciled to the Statement of Activities	<u>\$ 553,218</u>	<u>\$ 584,048</u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON**  
**GOVERNMENTAL FUNDS TYPE**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<u>Total Governmental Funds</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Taxes & special assessments	\$ 74,045	\$ 71,844
Licenses and permits	9,876	12,281
Intergovernmental	42,969	112,679
Charges for services	41,534	39,971
Fines and forfeitures	20,015	21,669
Investment income	5,275	2,677
Miscellaneous	11,027	16,367
Total revenues	<u>204,741</u>	<u>277,488</u>
Expenditures:		
Current:		
General government	75,544	74,555
Public safety	38,190	75,496
Highways & public improvements	59,481	68,701
Parks, recreation & public property	5,930	14,852
Total expenditures	<u>179,145</u>	<u>233,604</u>
Excess of revenues over expenditures	25,596	43,884
Fund balances, beginning of year	<u>227,507</u>	<u>183,623</u>
Fund balances, end of year	<u>\$ 253,103</u>	<u>\$ 227,507</u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 25,596
--	-----------

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(56,426)

Change in net assets of governmental activities	<u><u>\$ (30,830)</u></u>
---	---------------------------

**TOWN OF NEWTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
<b>Taxes:</b>				
General property taxes	\$ 17,495	\$ 31,500	\$ 17,854	\$ (13,646)
General sales & use taxes	50,120	50,000	53,203	3,203
Franchise taxes	3,750	3,000	2,988	(12)
Total taxes	71,365	84,500	74,045	(10,455)
<b>Licenses &amp; permits:</b>				
Business licenses & permits	700	700	600	(100)
Non-business licenses & permits	7,150	9,100	9,276	176
Total licenses & permits	7,850	9,800	9,876	76
<b>Intergovernmental revenues:</b>				
Class "C" roads	41,500	38,000	30,488	(7,512)
State liquor allotment	450	600	605	5
State/Local Grants	11,010	27,000	11,876	(15,124)
Total intergovernmental revenues	52,960	65,600	42,969	(22,631)
<b>Charges for services:</b>				
Sanitation	36,000	36,000	35,551	(449)
Parks & recreation	300	400	300	(100)
Communication center	6,000	6,000	5,613	(387)
Fire department	500	500	-	(500)
First responders	35	100	70	(30)
Total charges for services	42,835	43,000	41,534	(1,466)
Fines and forfeitures	30,000	29,000	20,015	(8,985)
<b>Miscellaneous:</b>				
Interest	2,300	5,400	5,275	(125)
Celebrations	2,800	3,500	3,507	7
Other	9,890	9,200	7,520	(1,680)
Total Miscellaneous	14,990	18,100	16,302	(1,798)
Total Revenues	\$ 220,000	\$ 250,000	\$ 204,741	\$ (45,259)

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES</b>				
General government:				
Administration	\$ 41,600	\$ 40,630	\$ 36,321	\$ 4,309
Building & grounds	4,500	9,700	4,809	4,891
Community development	16,400	15,370	13,161	2,209
Judicial	22,235	28,900	18,314	10,586
Capital outlay	4,600	4,600	2,939	1,661
Total general government	89,335	99,200	75,544	23,656
Public Safety:				
Police	5,950	6,100	6,105	(5)
Communication center	6,500	6,500	6,080	420
Fire	14,450	14,600	7,264	7,336
First responder	7,000	8,100	7,447	653
Animal Control	2,665	2,650	2,360	290
Building inspection	4,050	4,550	4,107	443
Capital outlay	1,600	3,600	4,827	(1,227)
Total Public Safety	42,215	46,100	38,190	7,910
Highways & public improvements:				
Streets	74,300	35,250	8,308	26,942
Sanitation	38,000	42,000	38,868	3,132
Capital Outlay	-	-	12,305	(12,305)
Total highways & improvements	112,300	77,250	59,481	17,769
Parks, Recreation & Public Property:				
Parks and open spaces	6,150	26,450	5,930	20,520
Capital outlay	-	1,000	-	1,000
Total parks, recreation & public property	6,150	27,450	5,930	21,520
<b>TOTAL EXPENDITURES</b>	<b>250,000</b>	<b>250,000</b>	<b>179,145</b>	<b>70,855</b>
Net change in fund balance	(30,000)	-	25,596	25,596
Fund Balance at beginning of year	227,507	227,507	227,507	-
Fund Balance at end of year	\$ 197,507	\$ 227,507	\$ 253,103	\$ 25,596

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	WATER UTILITIES 2005	WATER UTILITIES 2004
<b>ASSETS</b>		
Current assets:		
Cash	\$ 166,289	\$ 129,673
Accounts receivable	11,059	14,585
Bond discounts	7,381	7,627
Restricted cash	<u>76,744</u>	<u>67,556</u>
Total current assets	<u>261,473</u>	<u>219,441</u>
Capital assets		
Land	10,000	10,000
Buildings and improvements	31,563	31,563
System improvements	1,442,771	1,442,771
Equipment	26,302	26,302
Less Accumulated depreciation	<u>(471,569)</u>	<u>(433,628)</u>
Total capital assets	<u>1,039,067</u>	<u>1,077,008</u>
<b>TOTAL ASSETS</b>	<u><b>1,300,540</b></u>	<u><b>1,296,449</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	745	3,977
Interest payable	<u>1,058</u>	<u>1,155</u>
Total current liabilities	<u>1,803</u>	<u>5,132</u>
Long-term liabilities:		
Bonds payable - due within a year	17,793	17,559
Due in more than one year	<u>440,315</u>	<u>458,186</u>
Total long -term liabilities	<u>458,108</u>	<u>475,745</u>
Total liabilities	<u>459,911</u>	<u>480,877</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	580,959	601,263
Restricted	76,744	67,556
Unrestricted	<u>182,926</u>	<u>146,753</u>
Total net assets	<u><b>\$ 840,629</b></u>	<u><b>\$ 815,572</b></u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

**With Comparative Totals for June 30, 2004**

	WATER UTILITIES 2005	WATER UTILITIES 2004
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 91,215	\$ 81,626
Other operating revenues	3,674	2,861
Total operating revenues	<u>94,889</u>	<u>84,487</u>
<b>OPERATING EXPENSES</b>		
Salary and wages	5,097	4,426
Other operating expenses	9,903	3,285
Supplies	2,975	7,346
Depreciation/amortization	38,187	37,996
Total operating expenses	<u>56,162</u>	<u>53,053</u>
Operating income	<u>38,727</u>	<u>31,434</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	5,304	2,657
Interest charges	<u>(18,974)</u>	<u>(19,773)</u>
Total non-operating revenue (expense)	<u>(13,670)</u>	<u>(17,116)</u>
Change in net assets	25,057	14,318
Total net assets - beginning	<u>815,572</u>	<u>801,254</u>
Total net assets -ending	<u><u>\$ 840,629</u></u>	<u><u>\$ 815,572</u></u>

See accompanying notes to the basic financial statements.



**TOWN OF NEWTON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

	WATER UTILITIES 2005	WATER UTILITIES 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 98,415	\$ 87,116
Payments to suppliers	(16,207)	(6,974)
Payments to employees	(5,097)	(4,427)
Net cash provided (used) by operating activities:	<u>77,111</u>	<u>75,715</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of capital assets	-	(4,682)
Principal paid on capital debt	(17,637)	(17,032)
Interest paid on capital debt	(18,974)	(19,773)
Net cash provided (used) by capital and related financing activities:	<u>(36,611)</u>	<u>(41,487)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	<u>5,304</u>	<u>2,657</u>
Net increase in cash and cash equivalents	45,804	36,885
Cash and equivalents at beginning of year	<u>197,229</u>	<u>160,344</u>
Cash and equivalents at end of year	<u><u>\$ 243,033</u></u>	<u><u>\$ 197,229</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 38,727	\$ 31,434
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	38,187	37,996
Changes in assets & liabilities:		
Decrease (increase) in receivables	3,526	2,629
Decrease (increase) in other assets	-	246
Increase (decrease) in accruals	(3,329)	3,410
Total adjustments	<u>38,384</u>	<u>44,281</u>
Net cash provided (used) by operating activities:	<u><u>\$ 77,111</u></u>	<u><u>\$ 75,715</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 1: Summary of significant accounting policies**

**Reporting entity**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

### Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

### Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

### Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

## Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

#### Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,196,193
Accumulated depreciation	<u>(896,078)</u>
Total difference	<u>\$ 300,115</u>

### B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation.

While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 20,071
Depreciation expense	<u>(76,497)</u>
Net difference as reported	<u>\$(56,426)</u>

**Note 2: Legal Compliance - Budgets/Statutory**

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

**Note 3: Cash and investments**

The Town meets the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of, and adhering to, the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and investment accounts are insured, registered, or held by the Town or its agent in the Town's name.

Cash accounts are deposited in a single financial institution. The carrying amount of bank deposits at June 30, 2005 is \$137,613 and the bank balance is \$144,127. Of the bank balance, \$121,242 is covered by federal insurance (FDIC) and \$22,885 is not insured.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Cash:			
Bank of Utah	\$ 116,371	\$ 122,885	Pool
Bank of Utah	21,242	21,242	General
Petty Cash	100		

Amounts are invested with the State Treasurer's Pool as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Rate</u>	<u>Fund</u>
Investments:			
State treasurer's pool	\$ 167,818	Various	General
State treasurer's pool	176,427	Various	Pool

The interest rate paid on the investments during the 2004-2005 fiscal year varied from 1.7032% to 3.1816%. The "pool" is a convenient deposit-type investment administered by the State Treasurer's office and offers daily liquidity. Pool deposits are invested mainly in short term investment securities, including time certificates of deposit and treasury bills, all of which comply with the Money Management Act.

#### Note 4: Accounts receivable

Amounts due to the Town at year end are as follows:

General:	
Garbage fees	\$ 4,504
Communication center	757
County - property taxes	19,210
Franchise taxes	774
Court	1,350
Other	<u>7,435</u>
Total general	34,030
Water:	
Services	<u>11,059</u>
Total accounts receivable	<u>\$ 45,089</u>

**Note 5: Restricted assets**

The total restricted assets on the balance sheet are comprised of the following cash, cash equivalents, investments and receivables:

General fund:	
Cash - Class C	\$166,565
Cash- library	21,242
Cash - first responders	1,350
Accounts receivable - Class C	<u>6,240</u>
Total general fund	<u>195,397</u>
Water fund:	
Cash impact fees	35,682
Cash revenue bond sinking/reserve	<u>41,062</u>
Total water fund	<u>76,744</u>
Total restricted assets	<u>\$272,141</u>

**Note 6: Accounts payable**

Accounts payable consist of amounts incurred and due at June 30, 2005 but which have not been paid as follows:

General:	
Accounts	\$ 4,390
Payroll and payroll taxes	<u>3,702</u>
Total general	<u>8,092</u>
Water:	
Accounts	285
Payroll and payroll taxes	460
Interest	<u>1,058</u>
Total water	<u>1,803</u>
Total accounts payable	<u>\$ 9,895</u>



**Note 7: General fixed assets**

General fixed asset changes occurring for the year ended June 30, 2005 are as follows:

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2004</u>
Land	\$ 51,500	\$	\$	\$ 51,500
Improvements other than building	34,012			34,012
Buildings	52,567			52,567
Equipment	243,328	7,766		251,094
Infrastructure	<u>794,715</u>	<u>12,305</u>		<u>807,020</u>
Total assets	<u>1,176,122</u>	<u>20,071</u>		<u>1,196,193</u>
Accumulated depreciation	<u>(819,581)</u>	<u>(76,497)</u>		<u>(896,078)</u>
Total fixed assets	<u>\$ 356,541</u>	<u>\$(56,426)</u>	<u>\$ -</u>	<u>\$ 300,115</u>

Depreciation has been charged to the departments as follows:

General government	\$ 6,159
Public safety	13,619
Highways & public improvements	53,825
Parks, recreation & public property	<u>2,894</u>
	<u>\$ 76,497</u>

**Note 8: Water users and rates**

Newton water utility fund services both residential and commercial users. As of June 30, 2005, the Town provided service to the following residential users and commercial users.

Residential	254
Commercial	<u>5</u>
Total water users	<u>259</u>

Water and garbage rates effective at June 30, 2005 are as follows:

Water rates:

Standard monthly services	\$21.50
Excess over 20,000 gallons	\$ .50 per 1,000 gallons

Garbage rates:

Standard monthly services	\$12.25	90 gallon container
Standard monthly services	\$ 8.40	60 gallon container

**Note 9: Changes in long-term debt**

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2005:

Bonds payable at July 1, 2004	\$ 475,745
Less: payment of principal	<u>(17,637)</u>
Bonds payable at June 30, 2005	<u>\$ 458,108</u>

Bonds payable at June 30, 2005, are comprised of the following individual issues:

Water:

\$263,000 water revenue bonds due to the Utah Safe Drinking Water Board in varying annual payments including interest at 1.5% per annum. Payments of principal and interest are due each January 1, with payments of principal ranging from \$11,000 to \$15,000 each year. The principal and interest will be completely retired on January 1, 2015.	\$ 118,754
\$374,800 water revenue bonds due to the U.S. Department of Agriculture - Rural Development in varying annual payments including interest at 5.0% per annum. The principal and interest will be completely retired on February 1, 2036.	<u>339,354</u>
Total bonds payable	<u>\$ 458,108</u>

The following is a summary of bond principal maturities and interest requirements:

<u>Year ending June 30</u>	<u>Total outstanding</u>
2006	\$ 36,847
2007	36,652
2008	37,457
2009	37,247
2010	37,037
2011 - 2015	162,302
2016 - 2020	108,660
2021 - 2025	108,660
2026 - 2030	108,660
2031 - 2035	108,660
2036	<u>13,820</u>
Total	796,002
Less Interest	<u>(337,894)</u>
Outstanding Principal	<u>\$ 458,108</u>

**Note 10: Reserved fund equity**

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are compromised of the following:

General fund:	
Reserved - roads	\$ 172,805
Reserved - first responders	1,350
Reserved- library	<u>21,242</u>
Total general fund	<u>\$ 195,397</u>
Water fund (retained earnings):	
Reserved - sinking/reserve	\$ 41,062
Reserved- impact fees	<u>35,682</u>
Total water fund	<u>\$ 76,744</u>

**Note 11: Insurance and bond coverage**

Newton has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Limits</u>	<u>Date</u>
General Liability (including auto)	Utah Local Governments Trust 12730-GL615-2004	\$2,000,000	Continuous
Property	Unigard Insurance		7/01/05
Buildings	PX809764	1,393,900	
Contents		54,592	
Equipment		73,700	
Other		25,000	
Auto Insurance	Unigard		
Auto	BA900004	39,500	7/01/05
Public employee blanket	Western Surety 58493629	5,000	2/18/06
Position schedule bond- treasurer	Western Surety 58182582	20,000	9/08/05
Position schedule bond- mayor/treasurer	Western Surety 68394760	37,000	10/17/05

**Note 12: Segment information**

The following information is presented for the water utility fund of Newton Town:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Water fund:</u>				
Fixed Assets	\$ 1,510,636	\$	\$	\$ 1,510,636
Accumulated Depreciation	433,628	37,941		471,569

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 243,033
Receivables	11,059
Less Current Liabilities:	
Accounts payable	(1,803)
Current portion of long-term debt	<u>(17,793)</u>
Net Working Capital	<u>\$234,496</u>

**Note 13: Town library**

The Town opened a library in May 1998, located in the current Town Hall. Approximately 10,000 books, thirteen wood shelves and nine metal shelves were donated for library use. Since the opening of the library books have been donated on an annual basis. Because of the difficulty of determining fair market value of these donations, no revenue for donations has been recognized since it would be completely offset by library expense in the general fund. Since the donations were individually below the capitalization policy minimum amount, they have not been recorded in the general fixed assets either.

**SUPPLEMENTAL SECTION**



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town of Newton  
Newton, Utah

We have audited the financial statements of the Town of Newton, Utah (the Town) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Town Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

Peterson Almed Jackson

November 18, 2005





Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and Town Council  
Town of Newton  
Newton, Utah

We have audited the financial statements of the Town of Newton, Utah (the Town) for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Town's financial statements.)

EMS - Per Capita (Department of Health)  
Library Services & Technology Act (Utah State Library Division)  
Fire Department Assistance Grant (Department of Natural Resources)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation & Property Tax Limitations

Justice Courts  
B & C Road Funds  
Liquor Law Enforcement  
Other General Issues  
Impact Fees

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Newton, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Peterson Alfred Jackson

November 18, 2005



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

November 18, 2005

Honorable Mayor and Town Council  
Town of Newton  
Newton, Utah

Dear Mayor Salisbury:

In planning and performing our audit of the financial statements of Newton, Utah (the Town) for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Town's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized below.

#### **PRIOR YEAR**

**Finding:** *Court Compliance.* Amounts collected by the court are not always distributed to the State by the 10<sup>th</sup> of the following month. We found two instances where receipts were issued but the amounts were not reported with the current month fines.

**Recommendations:** Report all fines to the State in the month that they were collected and remit the report by the 10<sup>th</sup> day of the following month. The reports should be reconciled to the court receipts before submission.

**Management response:** The court clerk will check all court reports before sending them to the State.

**Status:** The court was in compliance by remitting collected amounts by the 10<sup>th</sup> of each month.

## CURRENT YEAR

Finding: Documentation. During our testing of cash disbursements, we noted that the library did not keep all invoices/receipts to substantiate expenses. We also noted that some checks were issued without two signatures present.

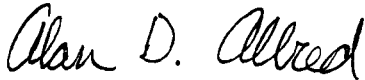
Recommendations: Maintain documentation for all expenses of the Town including employee reimbursements.

Management response: The Town will review all library documentation for expenses on a monthly basis and will review all checks for proper signatures before they are issued.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Newton. We would especially like to recognize Susan NewMyer-Jeppson, who has been most cooperative in assisting us in accomplishing the engagement for the 2004-2005 fiscal year. The performance of the Town of Newton annual report has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA